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How the CIA Mo Charter Airline

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Times Staff Writer

In 1960 Southern Air Transport was on the verge of bankruptcy. Down to its last two aging planes, Southern, like most of the other two dozen or so nonscheduled airlines then alive, faced a bleak future.

Of the few so-called nonskeds—or charter airlines—that remained, Southern was one of the weakest. Yet only a few months after it was sold in August, 1960 for a paltry \$300,000, the airline was thriving.

The reason? The actual buyer of Southern, a fact kept secret from most people for more than 13 years, was the Central Intelligence Agency. With the CIA's help, Southern quickly obtained new planes from another CIA company, Air America, and captured a key military contract to provide a "cover" for its operations.

In 1975, after two years of rumors and published news leaks, the CIA finally acknowledged that it had owned Southern Air from 1960 to 1973.

The story might have ended there. But now government documents and other information have surfaced indicating that the CIA's venture into the nonsked business had a profound impact, one that damaged the finances of a host of unsuspecting private businessmen and helped determine the shape of an entire industry for years to come.

By siphoning away a significant share of the military charter revenue that was the sustenance of these struggling airlines, the CIA played a big role in consigning some of these companies to oblivion. The few that survived became the nucleus of the modern U.S. charter airline industry.

Moreover, there is evidence that five other nonskeds that survived this period did so in part because they or their representatives learned of the CIA connection to Southern and were able to win favorable treatment from the Civil Aeronautics Administration and other government agen-

cies, which were eager to maintain the CIA's secret.

Today, many of the former nonsked operators who lost their flying rights when they ran out of money are trying to win those rights back from the CAB. The board, whose membership has changed completely in the intervening years, has set up a special proceeding to consider their requests.

Their efforts recently forced the release, under the Freedom of Information Act, of numerous previously secret government documents. Those, combined with interviews and previously ignored testimony, permit a close look at how the CIA wreaked its apparently unintended havoc on the nonsked industry.

That look reveals a complex pattern of intrigue, with secret briefings by the CIA of CAB and military officials which won Southern crucial operating rights and contracts, along with desperate efforts by the competing nonskeds to gain a share of the government business that was not allotted to the CIA's airline.

Only six nonskeds were awarded, in the early 1960s, the lucrative overseas military contracts that became the difference between life and death. The losing airlines at the time were unaware that Southern was owned by the CIA. The other five—World Airways, AALXCO (later Saturn Airlines), Overseas National Airlines, Capitol Airways and Trans International Airlines (which has recently acquired Saturn)—all were aware of the hidden CIA-Southern connection.

With the new evidence, a group of the former nonskeds charge that the favored airlines, which have since become the leaders of the U.S. charter airline industry,

ing judge, Richard D. Neumann, president of a former nonsked, California Air Charter, alleged that at least one of the military charter airlines "used undue and improper influence in its economic rise to the top, or in less charitable words, blackmail and extortion. It is clear that several applicants (in a new route case) have engaged in activities of a very questionable nature."

The surviving carriers deny the charge.

In a letter to a Senate committee chairman, Edward J. Daly, chairman of World Airways wrote: "World has never resorted to coercion or relied upon favoritism to obtain military contract business."

Coates Lear, a lawyer connected to four of the surviving carriers, is now dead, but

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